

Weekly Schedule » **MON** Growth



QUERY CORNER **INSURANCE**

AN NRI CAN TAKE COVER FROM AN INDIAN INSURANCE COMPANY



LIFE INSURANCE FOR NRIs

Can an NRI take life insurance from an Indian insurance company? Say, if I am visiting India, can I take a pure term assurance policy on my life? - ANONYMOUS

An NRI can surely apply for an insurance plan, including term insurance plans. The premium shall be paid in Indian currency and the life to be insured should be in India at the time of proposal. The claim, if payable, shall be paid in Indian currency too.

DIFFERENT TYPES OF INSURANCE POLICIES

I am a government employee with a take home salary of ₹4 lakh per annum. I am 52 years old and my LIC Jeevan Surbhi policy will mature in the next few months. I do not have any other life insurance policy other than this. But I have a mediclaim family floater policy. I recently contacted an agent who told me about various types of policy available like term policy, Ulip, Endowment, etc. Please suggest what policy I should choose. - RENA SHUKLA

Life insurance is about providing for the dependents in case of your demise. We have always strongly advised to keep on adding to your life insurance as your responsibilities increase. As a first step at this point of time, you should calculate the amount of coverage required by you. You can take the help of a certified financial planner to calculate your human life value. Life Insurance plans can be further differentiated in two ways. The first can be defined as pure insurance plans like life term plans and the other are insurance plus investment plans like unit linked plans and endowment or money back plans (bonus based). You can add up a term plan to give you insurance coverage along with other investment products.

MEDICLAIM RATES OFFERED BY PSUs

Is it true that PSUs offer the lowest rates for mediclaim? - ANONYMOUS

Health insurance premiums are non-tariff products. Under the non-tariff regime, an insurance company can offer their own premium rates which are decided on the basis of their past claim ratios, future expectations of claims etc. It is not true that PSUs offer the lowest rates. There is no such provision for PSU general insurance companies to offer the lowest premium rates. The endeavour of PSU as well as private general insurance companies is to generate profits after serving the clients claims. In fact, Reliance General Insurance had started their health insurance segment by offering cheaper premiums in the market. But now, based on their claim experience, they, too, have steeply revised the premiums on the upside.

TAX BENEFITS FOR TERM LIFE INSURANCE POLICIES

Are there any tax benefits if I take a term life insurance policy? If so, please let me know. - ANONYMOUS

Premiums paid up to a maximum of ₹1 lakh qualify for deduction, subject to a maximum of 20% of risk sum assured, under Section 80C. This includes the term insurance plans too. However, the proposed new direct tax code, 2010 states that the premium payable for any of the years, during the term of the policy, shall not exceed 5% of the capital sum assured.

RETURN-OF-PREMIUM OPTION

Is the return-of-premium option worth considering if you are buying term life insurance? - ANONYMOUS

Under the return-of-premium option, the total premium paid during the term of the policy is returned to the person who's life is assured if he/she outlives the policy. This is like buying sugar coated medicines. As the cost of the term insurance pinches during the life of the insured and the benefit can be realised only on his/her death, the return of premium option gives a psychological satisfaction, as one may feel that his money will not go down the drain. But I strongly recommend that a without-return-of-premium term insurance is a better option as one will get a higher coverage at the same premium or the same coverage can be bought at a lesser premium. The premium thus saved can be invested in any other investment avenue, which will generate a much better maturity benefit.



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